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February 10, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-89, Cambridge Electric Light Company/Commonwealth Electric
Company — Default Service Adjustment Supplemental Filing

Dear Secretary Cottrell:

On December 2, 2005, Cambridge Electric Light Company d/b/a NSTAR Electric ("Cambridge") and Commonwealth Electric Company d/b/a NSTAR Electric ("Commonwealth") (together, the "Companies") filed their initial reconciliation filing for 2005 in the above-referenced proceeding. That filing was based on eight months of actual data and four months of forecast data. As is the practice for such cases before the Department of Telecommunications and Energy (the "Department"), rates for 2006 were approved based on the preliminary reconciliation data, subject to review and investigation after the submission of final, actual data in the first quarter of 2006. Commonwealth/Cambridge, D.T.E. 05-89, at 2-3 (2005).

Although the Companies have not as yet closed out their accounting books and prepared the complete supplemental filing for all elements of the reconciliation case, final, actual costs and revenues for Default Service ("Basic Service") have been prepared and have uncovered a significant change between the forecast amount and the actual amounts for Commonwealth. In view of this large difference, and the fact that comments were filed on the Default Service Adjustment for 2006, the Companies believe that it is important to bring this matter to the attention of the Department and to propose an immediate adjustment in Commonwealth's Default Service Adjustment.

In the Commonwealth filing, the Companies projected an underrecovery of costs for Basic Service in 2005 of \$21.132 million (Exh. COM-CLV-5, at 1). This projected amount was computed by comparing the revenues collected (or estimated to be collected) for Basic Service to the costs incurred (or estimated to be incurred) for purchasing Basic Service, with appropriate carrying charges applied on a monthly basis to any over- or

undercollections (*id.*). As indicated above, Exhibit COM-CLV-5, page 1, was based on eight months of actual data and four months of projected data. The actual data for the final four months of the year, however, deviated significantly from the amounts that had been forecasted, and the actual underrecovery of costs for Basic Service in 2005 was \$3.815 million. See Exhibit COM-CLV-5 (supp), enclosed herewith.

In accordance with Commonwealth's approved Default Service Adjustment tariff, Commonwealth proposed, and the Department approved, a Default Service Adjustment of \$0.00506 per kilowatt-hour ("kWh") for 2006. That amount was designed to collect the entire \$21 million deferral by the end of 2006 (Exh. COM-CLV-5, at 2, line 2). In view of the significant reduction in the amount of the underrecovery at the start of the year, Commonwealth seeks to adjust the Default Service Adjustment.¹

Commonwealth proposes that the Default Service Adjustment be eliminated as of March 1, 2006 in order to avoid an overrecovery of the deferred amounts. As computed in Exhibit COM-CLV-6, enclosed herewith, if the Default Service Adjustment is applied only to usage in the months of January and February, the full amount of the deferral will be collected.² Accordingly, Commonwealth has filed for Department approval tariff M.D.T.E. No. 304E, which reduces the Default Service Adjustment to \$0.00000 per kWh, effective March 1, 2006.

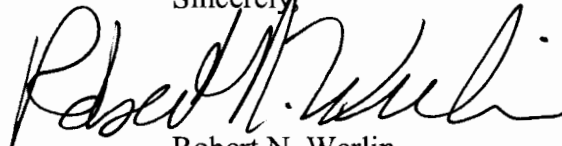
¹ The difference in the underrecovery for Cambridge when actual data replace the forecasted amounts (\$4.209 million vs. \$4.117 million) is insignificant, and, therefore, no change in the Default Service Adjustment is proposed. Compare Exhibit CAM-CLV-5 and Exhibit CAM-CLV-5 (supp), enclosed herewith.

² Although Line 2 of Exhibit COM-CLV-6 shows Default Service Adjustment revenues for three months (January, February and March), the Default Service Adjustment is applied for only two full months. The January bills (and booked revenues) include use in both December and January, and the March bills (and booked revenues) include use in both February and March.

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Thank you for your attention to this matter.

Sincerely,



Robert N. Werlin

Enclosures

cc: Service List

[illegible]

[illegible]

[illegible]

DEFAULT SERVICE ADJUSTMENT

The prices for Retail Delivery Service contained in all the rates of the Company are subject to adjustments to reflect the power purchase costs incurred by the Company in arranging Default Service, which costs are not recovered from Customers through the Default Service rate charged to Default Service Customers.

On a annual basis, the Company shall reconcile its total cost of purchased power for default service supply against its total default service revenue, and the excess or deficiency shall be refunded to, or collected from, Customers on a per kilowatt-hour basis over the following twelve (12) months, with interest. Such a per kWh charge or credit is referred to as the Default Service Adjustment Factor. For purposes of the above reconciliation, total purchased power revenues shall mean all revenues collected from Default Service Customers through the Default Service rate for the applicable twelve (12) month reconciliation period together with payments or credits from suppliers. If there is a positive or negative balance in the then current Default Service Adjustment account outstanding from the prior period, the balance shall be credited against or added to the new reconciliation amount, as appropriate, in establishing the Default Service Adjustment Factor for the new reconciliation period.

The rate for the Default Service Cost Adjustment Factor, effective March 1, 2006, shall be equal to \$0.00000 per kilowatt-hour.

The calculation of the Default Service Adjustment Factor shall be subject to the review and approval of the Department of Telecommunications and Energy.

This provision is applicable to all Retail Delivery Service rates of the Company.

*Filed Pursuant to Order of the
Massachusetts Department of Telecommunications and Energy
Issued February 27, 1998 in D.P.U./D.T.E. 97-111*